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PAST AND PRESENT

VIEWS OF RAILWAYS.

BY

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*TEMPUS OMNIA REVELAT.*

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## PAST AND PRESENT

### VIEWS OF RAILWAYS.

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I BELIEVE I am the only member of the Institution of Civil Engineers who, from the time of the introduction of Railways in this country for passenger traffic, has entertained, and who still entertains, opinions adverse to the introduction and progress of the system which has been established by unprecedented monopoly, maintained by millions of money, and is now tottering to its fall, because people find that they have not only been disappointed, but have been desperately duped.

My position in this matter has been one to try any man's moral courage, and it has been maintained with a determination which many of my esteemed friends have called obstinacy.

My opinions on railway matters have always been much fortified by those of Mr. Thomas Grahame, the successful contender for canal interests when so much injured by railway monopolies. At the outset I had the encouragement of that great and sound engineer, the late Mr. Tel-

ford ; and having stood alone as an engineer for so long a time, I am now enabled to make obvious the soundness of my opinions, and to exhibit, in naked truth, “the enormity of the deception.”

A reference to the following quotations, extracted from my statements printed and published, some of them as many as seventeen years ago, will shew that I am entitled at least to credit for consistency.

Let my writings and the present condition of railways be examined by any candid inquirer, and it will be found that seventeen years ago, and again fifteen years ago, I shewed that the reported success of the Liverpool and Manchester Railway (which has been swallowed up by amalgamation in the London and North Western) was the principal foundation of the monstrous evils from which the country now looks for relief ; that the Directors of that far-famed Company deceived themselves, paid dividends out of borrowed money, increased their capital, “cooked their accounts ;” and that I declared that debt would ere long “swamp the whole” railway affair.

Other views, more properly belonging to an engineer’s inquiry, were broadly advanced, and will yet obtain attention, but it is sufficient here to refer to those features which are more strictly political and commercial, and which have, during so many years, been almost entirely neglected, not only by promoters of railways, but by the legislature, and even

by the Railway Commissioners, whose duty it was to watch over them.

“I have never overlooked or undervalued the real benefits which may and must arise from edge railways, when established under those peculiar, but rarely-occurring, circumstances, to which they are especially applicable.” Neither have I overlooked the political, moral, and commercial bearings of the matter.

See “Gordon on Railway Moonpolies and Remedial Measures,” p. 41. Weale, 1841.

It is more than seventeen years since I wrote, with reference to the Liverpool and Manchester Railway,

“We care not for dividends—they are often deceptive; nor for what they call their profits—they are often made up in an erroneous way by companies, and can only be ascertained by the public after a long course of time.” The Company say, “the interest of money invested is not an expense.” We contend that it is. A great part of it has to be paid for borrowed money, and “The railway will not last for ever, and proprietors will not receive dividends for ever.” We “*Caution the public how they embark their capital in what will inevitably result in loss and disappointment.*”

See “Journal of Elemental Locomotion,” p. 16. 1832.

Id. 1832.

The following quotations from my former publications will more clearly shew both my position and that of the public as regards railway matters:—

“So ardent are railroad projectors, that railway schemes are now promulgated which will require an ex-

From “Gordon on Locomotion.” Second Edition, p. 223. Tegg, 1834.

penditure of thirty millions,\* if the mania be not checked. We cannot enumerate the various lines; but point to the 'Cramford and High Peak Railway,' as a *memento*. None of 'the great commerce announced in the first account has ever passed on it for the whole distance, and no carriage whatever, except that which conveyed the committee on their triumphant tour at its opening; all the trade having been confined to that of a little coal at the southern end.'

"The line between Liverpool and Manchester certainly presented a combination of circumstances more favourable than any other line of communication in the kingdom, where goods and travellers pass in both directions. Liverpool may be considered second only in commercial importance to London; and Manchester teems with a busy and industrious manufacturing population. The productions of other countries arrive at the one, are manufactured at the other, and returned over the same line for exportation to every quarter of the world. Such constant passage of goods demanded the best and quickest mode of inland communication; and a splendid line of railway was the consequence. How far that railway, favourably circumstanced as it is, has been profitable, cannot be gathered from the published accounts of a company. That it has not been profitable to the degree which would warrant an outlay of 1,200,000*l.* upon thirty-one miles of line, is sufficiently proved by the knowledge that their dividends of 8 per cent per annum are not larger than the profits which horse coach-masters made upon the turnpike-road, even after paying a heavy duty to Government; and who are beat out of the field of competition by a company, with the advantage of

\* Fifteen years afterwards Parliament had authorised the raising of 334,287,595*l.*!!!

an immense capital, lenient taxation, and a secure monopoly.

“We shall not find, however, that this corporation have had any sufficient success to warrant a payment of 8 per cent; and as this is the point of conviction with the larger portion of the community, it may be well to examine it.

“The anticipated and the actual cost of construction may be compared thus:—

“In December 1825 the prospectus was published, with an estimate of cost, allowing for all possible contingencies, of 510,000*l*.

“In April 1826 the estimates were sworn to as more than amply sufficient in the House of Lords.

“In May 1826 the first Report was issued, when the Committee informed subscribers that the work may be done for much less than 510,000*l*., the sum estimated. In the beginning of 1829 Government advanced the Company 100,000*l*. on loan, at 3½ per cent interest, on security of the three last instalments.

“In March 1828 a Report was issued, when the Directors state that the railway will cost something more than estimated, but that there is no doubt that the whole will be completed out of the capital, 510,000*l*., and the 100,000*l*. loan, in all 610,000*l*.

“On the 18th of March, 1829, the Directors report that they had obtained powers, by Act of Parliament, to raise 127,500*l*. in shares, ‘to provide arrangements for carrying on a road proportionate to the magnitude of the anticipated traffic; that having expended, in forming the road and works, all the first seven calls, and the 100,000*l*. borrowed from Government, they had applied to be allowed to expend the remaining three calls, on which the Government loan was secured; that they had got one of the calls relieved, but that after consulting Mr. Telford

as to the future cost of the work, which Mr. Telford reported would require much beyond the resources of the Company, Government had refused to relieve the remaining two calls.' They characterised Mr. Telford's Report as '*a Document than which one more abounding with inaccuracies and erroneous statements can hardly be conceived!!*' They state, however, that they had despatched a deputation to London, when they explained 'the inaccuracies in Mr. Telford's Report,' and got the ninth instalment relieved.

"In August 1829 the Directors report that the work may probably be finished within the cost, and that it will not be necessary to call up the last 10 per cent, either on the road subscription of 510,000*l.*, or on the carrying-trade subscription of 127,500*l.* Is the Report such as to prove the gross 'inaccuracies' of Mr. Telford's Report, and to justify the comments of the Committee on the conduct of that celebrated engineer? It is as follows:— 'The funds at the disposal of the Directors will be sufficient for this purpose (to form a double line of railway between Manchester and Liverpool), without calling for the last 10 per cent, either on the original capital or on the quarter shares, until it be required to provide such moving power on a large scale, as, *after ample experiment*, shall be deemed the most eligible for purposes of the railway; and as a revenue from the carrying of passengers, and, to a certain extent, of merchandise and coal, will accrue in the mean time, it will remain for the proprietors to determine how far the funds so derived shall be appropriated to supersede the necessity of calling for the whole of the subscribed capital. The cost of the railway and its carrying establishments was, therefore, on 10th of August, 1829, limited to 673,750*l.*, or at the very utmost, supposing an enormous trade (ten times greater than has been realised), a sum of 735,500*l.*



“In March 1830 the Directors report, that instead of 673,750*l.* sterling, they find the railway and works will cost 820,000*l.*, in consequence, as they state, of the estimate being erroneous, and below the amount at which it had ‘been found practicable to execute the work.’

“In June 1830 Mr. Booth, the treasurer, gives the details of how the 820,000*l.* had been, and was to be expended, as follows:—

1st, Expended till 31st May, 1830 .	£739,165	5	0
2d, Outstanding debts . . . .	7,500	0	0
3d, to be outlaid on railway, engines, waggon, warehouses, machinery, &c.	73,334	15	0
	<hr/>		
	£820,000	0	0

“In March 1831 the Directors state that they intend to raise altogether 865,000*l.*

“In April 1831 the Directors recommend the making of a new tunnel at Liverpool, which, they say, will cost 100,000*l.*, and state that thereby the omnibus establishment may be saved, and that this saving will be equal to the interest of the 100,000*l.* to be laid out; and were authorised to apply to Parliament for power to raise this sum.

“In 1832 the Directors announce that they have given up omnibus establishments, but are still to proceed with the tunnel; the interest upon the cost of which was to have been paid out of the saving thus already effected. They say nothing of the capital account, but by a statement appended it appears that instead of 820,000*l.* or 865,000*l.* they have expended on the railway and works 992,054*l.* 3*s.* 6*d.*, besides outstanding and unpaid debts.

“Such is a retrospect of the outlay of the Liverpool and Manchester Railway affairs, taken from their own

printed Reports, up to the end of the year 1831. It is now stated that the capital expenditure amounts to nearly 1,200,000*l*.

“But it is my duty also to shew, that there has been an error of magnitude in the calculations for the annual expense of conveying the estimated traffic on the railway.

“Mr. Walker, civil engineer, and Mr. Rastrick, civil engineer, from documents handed to them by the Directors, calculated, on a regular trade of 4000 tons of passengers and goods, cattle and coals, passing thirty miles along the railway daily, or 1,248,000 tons conveyed along the line annually, upon the 313 working days of the year, and reported that the outlay requisite to accomplish this would be,—

Outlay for a speed of ten miles per hour	£90,963	14	0
Requiring an annual expenditure of....	58,000	0	0
Mr. R. Stephenson and Mr. J. Locke, engineers, in the employment of the Railway Company, calculated and estimated that the same work, for a speed of twelve miles per hour, would require an outlay of only .....			
	36,817	9	0
And an annual expenditure of only ....	20,307	18	0

“The difference of opinion was immense, and therefore the actual amount of goods transported, and the actual cost of the transport, must now be referred to.

“After three years’ experience of this railway, it appears that the whole amount of goods and passengers transported only amounts to about one-third of what it was calculated to be in a single year, whilst the cost of transport has been, for that fractional part, eight times greater than Mr. R. Stephenson and Mr. J. Locke calculated :—

In 1831, 125,184 tons	} were conveyed {	at an annual {	expense of.... {	£20,062	11	0
1832, 145,914 „				22,237	11	0
1833, 170,395 „				27,101	4	0
<hr/>				<hr/>		
3 years' traffic 441,395	Total cost..			69,401	6	0
				or 3s. per ton.		

“This amount of 441,395 tons does not include the coals conveyed, which is but little, and cannot be easily included, as the coal owners furnish and pay for three-fourths of the locomotive power necessary for the transport of coals.

“Thus the anticipated and the actual result of this famed railway, as regards outlay and current expenses, and also as regards calculated traffic and work actually done, have been strikingly different. But we must not expect such facts will be received by the public as conclusive against the general railway system. Large dividends paid by directors to shareholders will prevent their coming to such a conclusion, even although *it can be shewn beyond doubt that such dividends must have been paid out of capital, or out of borrowed money.*

“In January 1833, the capital invested was £1,024,375  
Of which there was advanced in shares £796,875  
And loans ..... 227,500

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£1,024,375

The interest paid for the year was 10,522*l.* 10*s.* 6*d.*

“In January 1834, the capital invested was ..... £1,101,057 6 5

Of which there was advanced in shares 796,875 0 0

And loans, viz. as

last year .... £227,500 0 0

And apparently a

new loan of ... 76,682 6 5

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304,182 6 5

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£1,101,057 6 5

“The interest paid for the year was 10,507*l.* 18*s.* 1*d.*, being a smaller interest upon a larger debt, and to be accounted for by the good credit which the Company must be in, by reason of their large dividends.

“The amount of receipts and outlays is stated by the Directors’ Reports to be as follows:—

—	Year 1831.	Year 1832.	Year 1833.
	£	£	£
Gross receipts . . . . .	155,502	155,808	183,305
Gross disbursements..	84,404	94,936	109,250
	71,098	60,872	74,055

“From these sums the interests and dividends are, or ought to be, paid, but the Directors seem to borrow money for the purpose; at least we must suppose so when we find by their own accounts that, upon 30th June, 1833, they ordered immediate payment of dividends to the extent of 33,864*l.*, when the same accounts shew that they had only in hand 13,332*l.*, wherewith to pay them. Money was borrowed in order to do it; and this circumstance, added to others of a financial nature, together with facts before adduced, lead us to the belief, that the dividends are paid from borrowed money,—that borrowed money is thrown into the capital account,—and that, in fact, dividends are thus paid out of capital.

“It is difficult to say why promoters of other railways neglect the abundance of facts which they might obtain as to the working of the general railway system up to the present time.”

will see the general railway system, as pursued in this country, deprecated as commercially, agriculturally, and politically hurtful."

" Nothing is more *common* than for railway proprietors to rest their decision upon the success of the Liverpool and Manchester Railway; but nothing is more *rare* than for such parties to adduce the vast current expenditure for repairs, and the *debt which threatens to swamp the whole affair*. . . . .

From Gordon's  
"Observations  
on Railways  
and Turnpike  
Roads."  
Weale, 1835.

" But when the public mind is possessed by an illusion, time alone can show forth the enormity of the deception. The reported success of existing railway companies has induced too many to embark their capital in such speculations. Now, of all the railways for general purposes and the carriage of passengers, there are but three which pay any dividend. The Liverpool and Manchester Company, having an unequalled locality, pays nine, sometimes ten per cent; the Stockton and Darlington Company pays six per cent; and the Greenwich Company pays three per cent; and the reported dividends of those three companies form the real foundation upon which the deluded shareholders rest, in patient expectation that the numerous and boundless railway projects of the day are to yield them fortunes. I say the deluded shareholders—for they depend on the opinion of others, and these others either have not the power or the honesty to enlighten their followers. I cannot help saying, that in many cases the leaders and led are equally infatuated. If they considered—not the reports of parties, who, by wishing to obtain, fancy that they can obtain, certain portions of the passenger trade,—but the statistical facts of the country, they would find that the whole passenger trade of the country, in one year, only equals 19,000,000 persons conveyed thirty-one miles (say the length of the Liverpool and Manchester line); that the Liverpool and

Manchester Company have  $\frac{1}{3}$ th part of this trade; and that, in the common course of commercial probabilities, the remaining forty-four parts are all that will be left for division amongst the hundreds of other railway schemes, not to speak of the 19,000 miles of turnpike-road in England and Wales, which cannot be altogether superseded by these Utopian projects!

“It may therefore be presumed, that the individuals engaged in railway speculation will be losers; and if they do lose, the public lose. Nothing is more absurd than to maintain that the public can gain by the loss of individuals, ‘as if the aggregate capital of the country could be increased by the loss of a portion of it.’

“Whether the three railways just mentioned do properly declare their dividends, is perhaps not necessary to say here.

“But even supposing that general edge railway speculations should succeed to the satisfaction of the promoters, the success is attained by means of monopoly, and the diversion of trade from long-established and well-peopled lines to those whereon public competition cannot exercise its wholesome checks.

“No general railway ever was made, or attempted, which was not trumpeted forth as an undertaking for public good; as if the mercantile and other directors, together with their entire bodies of shareholders, were pure patriots; as if this grand monopoly were above the custom of even the most high-minded of the individual members of the body—men who, in their trading speculations, consider the ‘profit and loss account,’ and sell their goods, labour, or commodities, at as high a price as they can. The ‘public good’ and ‘public trust’ make a fine stalking-horse; but all the shares of such companies are a speculation, and the owners and directors of them are influenced, so far as their shares are concerned, by the customs of a trading community; their aim is to

make money. Would not the directors of such a company be induced to struggle on, as the managing partners of any smaller copartnery would, to maintain their credit, and to continue their business even when in a state of insolvency?

“It ought not to be forgotten that the mere commencement of schemes so promising of bitter disappointment, by estranging capitalists,—who are often in such investments the followers of the multitude, and the supporters of the delusion,—will paralyse the improvement or advancement of such other modes of communication as would be of high moral, political, and commercial value to the country.”

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As the monster monopolies advanced, Parliament found it necessary to vest their supervision in the Government, and in January 1841, the officers of the Railway Department of the Board of Trade reported that “The objects which an effective supervision ought to embrace may be classed under three heads,—1. Statistical; 2. Protection of Public Interests; 3. Providing for Public Safety.”

“Gordon on Railway Monopolies and Remedial Measures,” p. 24. Weale, 1841.

I observed distinctly at that time that the department “suggested no remedy which can reach the radical evil.” I also said that the Government control, “if vigorously applied, may allay the more visible irritations, but the seeds of the evil are still there, and the public will, ere long, denounce the skin-deep and troublesome application, and call more loudly for a radical cure.”

Id. p. 24.

Id. p. 55.

And has that supervision, which has now ex-

isted eight years and a half, been effective? No. The statistics may occupy volumes of blue books, but certainly the supervision has not prevented the squandering of many millions of capital during that time; and it has proved to be insufficient for the “protection of public interests,” and does not appear to have provided for “public safety” in any effectual manner. The Railway Commission might have seen that, by means of cooked or falsified accounts, investments were sanctioned by Parliament in schemes for intercommunication to the extent of nearly one-tenth part of the nation’s estimated property, in projects which I shall proceed to show, by a commercial view of the grand profit and loss account, are now losing annually to the proprietors upwards of 4,000,000*l.* sterling. Why did Parliament allow this? Why did the Commissioners not announce it?

Railway travelling has not increased so much since I wrote (*vide* quotation on p. 13) as to make it more than 30,000,000 passengers carried thirty miles per annum by railway companies. These companies have expended considerably more than 200,000,000*l.* sterling;\* the annual interest of which, at 5*l.* per cent, amounts to 10,000,000*l.*—just 2½*d.* for each passenger per mile; and this is part only of the total sum to be debited to the transport account in railway profit and loss. Thus

\* Return by the Commissioners of Railways, dated May 1849.



it will be seen that the passengers are carried at a much lower mean price than is required to cover the interest alone!

This last very alarming view I have recently communicated verbally to a Noble Lord, of the Upper House of Parliament, whose attention has been drawn to the evils of the railway system; and I must thank that Noble Lord for the attention and courtesy with which he received my communication.

His Lordship will, I fear, find no small difficulty in proposing further legislative interference.

The grand profit and loss account of railways, in June 1848, may be thus stated:—

<i>Dr.</i>	<i>Cr.</i>
To interest at 5 per cent on a capital of 200,000,000 sterling . £10,000,000	By total amount received for passengers, parcels, and goods, in year ending 30th June, 1848, as returned by the Commissioners of Railways . . £9,933,550
Working expenses, estimated by railway authorities at 40 per cent, as per contra . 3,973,420	Balance, being the loss on this year's business, <i>without making any allowance for replacement of capital</i> . . . 4,039,870
<hr/> £13,973,420	<hr/> £13,973,420

But railway partisans will reply, that lines might have been made for much less, and that one half of the capital expended has been sunk, and that the value of the property is now considered to be only 100,000,000*l*.

Total receipts for a year . . . . .	£9,933,000
The interest is 5,000,000 <i>l</i> . and working expenses 3,973,000 <i>l</i> . . . . .	8,973,000
The profit for the year would then only be . . . . .	£960,000

Thus the grand railway account would not show quite ONE PER CENT per annum from which to pay dividends. And still there is *no provision made for replacement of capital*.

It is strange that the Railway Commissioners take no notice of the prodigious mischief which I have seen growing for the last seventeen years. Either I must have been wrong from the beginning, or the Commissioners must be wrong. My opinions on these matters have been before the public, and are again earnestly urged upon the nation's attention, the more so that in the very last Report of the Railway Commissioners, dated 1st May, 1849, they laud the schemers and squanderers of the nation's industry in the following manner :—

“ It is to the enterprising spirit of these capitalists that the rapid spread of railways over this country, in spite of the difficulties offered by local oppositions and parliamentary forms, is to be at-

tributed ; and to the energy, commercial knowledge, and habits of business of these men, the public are indebted for the prompt developement of a system of railway management adapted to the wants of the community."

That would be an interesting Report from the Railway Commissioners which attempted to shew the "*enterprising spirit*," "*the energy and commercial knowledge*," and "*the habits of business*," and "*the railway management*," which they find so well "*adapted to the wants of the community!*" What wants? I should have called them "the elements of gambling."

The Commissioners certainly, in the same Report, inform the country that the matter "is now under the careful consideration of a select committee of the House of Lords, from whose Report valuable suggestions with regard to the financial matters may speedily be expected." After which, no doubt, the valuable suggestions will appear with all the freshness of a reprint in another of the Commissioners' blue books.

So much for the disease and the doctors. My object is at present to arrest attention by the statement I have made of results which, in no respect, surprise me. With regard to a remedy which, while it would preserve railway intercommunication, would be rendered fairly productive to shareholders, that is a question too large for treatment at this moment, but I do venture to warn the public that,

pending the requisite remedial measure, the owners and representatives of the 200,000,000*l.* are not terminated partners, but fluctuating shareholders, whose best chance of escaping from the dilemma is by keeping up the apparent value of the shares till some other parties take their places.

My numerous warnings in years past were unheeded, perhaps uncomprehended, by the thousands who were scheming, sharing, and transferring, or by the tens of thousands who were watching the daily issue of new railway scrip,—denounced as absurd by my estimable colleagues of the Institution of Civil Engineers,—and they may continue to be so by such members of our legislature as owe their wealth and their position to the “high-blown bladder” which must ere long burst beneath them.

ALEXANDER GORDON.

22 *Fludyer Street, Westminster,*  
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